

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Update on State Legislation

ITEM NUMBER: 5a

ATTACHMENT(S): 1

ACTION: X

MEETING DATE: October 3, 2002

INFORMATION:     

PRESENTER: Ed Derman

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**SENATE BILL 1580 (BURTON)**

One of the bills approved by the Legislature that affects the California State Teachers' Retirement System (CalSTRS) was Senate Bill 1580 (Burton). At the time this analysis was prepared, the Governor had not yet approved this bill, but he was expected to do so. SB 1580 requires the three members of the Teachers' Retirement Board (Board) who currently are appointed by the Governor to represent active members and participants of CalSTRS to be elected by the active membership. Special elections would be held to fill vacancies that occur during the term of the elected Board members. If the unexpired term is less than two years, the new member would serve the remainder of that term, plus an additional four years.

In addition, the existing seats for the insurance officer and the financial institutions officer would be replaced by additional public members appointed by the Governor and confirmed by the Senate. The bill also removes the requirement that the Governor select his or her appointees to the retired member and governing board member seats on the Board from a list provided by the Superintendent of Public Instruction, and instead allows the Governor to choose his or her own appointees, subject to Senate approval. There is no change made to the four statewide officials who sit on the Board by virtue of their office. The proposed changes made to the composition of the Board would take effect on January 1, 2004.

The following chart provides a brief description of the current and proposed composition of the Board under SB 1580.

<b>Board Seat</b>	<b>Current Law</b>	<b>New Composition of Board</b>
K-12	One classroom teacher who is a CalSTRS member or participant, appointed by the Governor from a list submitted by the Superintendent of Public Instruction	One K-12 or County Office of Education (COE) employee who is an active CalSTRS member or participant who is not an administrator, elected by all K-12 and COE employees who are active CalSTRS members or participants.
K-12	One classroom teacher who is a CalSTRS member or participant, appointed by the Governor from a list submitted by the Superintendent of Public Instruction	One K-12 or COE employee who is an active CalSTRS member or participant, including administrators, elected by all K-12 and COE employees who are active members of the DB Program. Active participants of the CB Benefit Program are excluded from voting.
Community College	One instructor who is a CalSTRS member or participant with expertise in business and/or economics, appointed by the Governor from a list submitted by the Board of Governors	One instructor who is an active CalSTRS community college member or participant, elected by active CalSTRS community college members and participants
Retired Member	One retired CalSTRS member or participant, appointed by the Governor from a list submitted by the Superintendent of Public Instruction	One retired CalSTRS member or participant, appointed by the Governor, subject to Senate approval
Governing Board Member	One school board member or community college trustee, appointed by the Governor from a list submitted by the Superintendent of Public Instruction	One school board member or community college trustee, appointed by the Governor, subject to Senate approval
Insurance Officer	One life insurance officer, appointed by the Governor, subject to Senate approval	None
Financial Institutions Officer (Vacant)	One officer of a bank or savings and loan, with broad professional investment experience, appointed by the Governor, subject to Senate approval	None
Public Member	One public member, appointed by the Governor, subject to Senate approval	Three public members, appointed by the Governor, subject to Senate approval. The terms of these members would be staggered by varying their first terms

## **Promulgating Regulations**

SB 1580 requires the Board to adopt regulations to conduct the elections provided under the bill. The provisions requiring the adoption of regulations take effect January 1, 2003. The bill is silent as to the timing of the elections. However, because the new Board composition takes effect on January 1, 2004 the most appropriate determination of the Legislature's intent is that elections take place in the latter part of 2003 after the regulations are finalized to ensure that the new members can assume their seats without delay.

Normally, regulations adopted by state agencies are subject to the Administrative Procedure Act (APA), which is designed to allow adequate public comment and participation in the rulemaking process, and create a record of formal action to assist in any future judicial review. Under the APA process, an agency is initially required to post a notice of proposed rulemaking in the California Regulatory Notice Register. Many agencies, however, also distribute through their mailing lists and Web site the notice of proposed rulemaking, as well as other required documents, such as a statement of reasons why regulations are necessary, the text of the proposed regulation, a citation of the laws they are based upon and a fiscal impact statement. Under the APA, once the notice of proposed rulemaking is published in the California Regulatory Notice Register, the public has 45 days to submit comments. An agency has the option to hold a public hearing on a proposed rulemaking action. If a public hearing is not scheduled and a member of the public requests one at least 15 days before the written comment period ends, the agency must give notice and hold a public hearing. According to the Office of Administrative Law (OAL), which normally reviews proposed state regulations, because of this requirement, an agency usually schedules a public hearing unless it is confident that one will not be requested.

SB 1580 specifically exempts CalSTRS from the requirement that it submit proposed regulations to the OAL for legal review. This exemption provides CalSTRS with latitude in adopting regulations. Nonetheless, to ensure successful adoption of the regulations by the Board and avoid time-consuming litigation, staff recommends the Board follow many of the procedures of the APA.

Specifically, CalSTRS has the ability to publish in the California Regulatory Notice Register and the California Code of Regulations without going through the OAL and APA process. To begin the rulemaking process, CalSTRS staff could draft proposed regulations in consultation with representatives of member organizations, reviewing existing regulations and procedures of other elected bodies, such as California Public Employees' Retirement System (CalPERS), and then select an adequate period for public comment. Once the draft regulations are complete, notice could be published in the Regulatory Notice Register, distributed to people listed on the Board Agenda mailing list and posted on the CalSTRS Web site, along with the proposed regulation text and any supporting documentation. The Board, or one of its committees, could choose to hold a hearing at the end of the comment period. Changes to the proposed regulations could be discussed and the final regulations adopted by the Board at that time, and CalSTRS staff could take the appropriate steps to have them published in the Code of Regulations by the Secretary of State.

### **Ambiguities in the Proposed Legislation**

SB 1580, as being considered by the Governor, raises a number of issues, which may need to be addressed either through the regulations or legislation that takes effect before January 1, 2004. Some of these provisions, however, may have been intended by the bill's sponsors. These include

**Voting eligibility.** SB 1580 provides for two seats to be elected to represent active members of CalSTRS. One of the seats would be held by an active member of the Defined Benefit (DB) Program or active participant of the Cash Balance (CB) Benefit Program who is not in an administrative position. All active CalSTRS members and participants could vote for this seat. The other seat would be held by any active CalSTRS member or participant, including an administrator. As drafted, however, SB 1580 precludes a CB Benefit Program participant from voting in this election. Addressing this apparent error would require a statutory change.

**Multiple employers.** SB 1580 establishes seats for members and participants who are employed by a K-12 district or a county office of education, which are separate from seats for community college instructors. Each seat is elected by members and participants of the respective education segment. Many CalSTRS members, however, work both for K-12 districts and community college districts, working, for example, for a K-12 district during the day and teaching a community college course at night. It's not clear whether such a person could run for both seats or vote in both elections. In an earlier version, SB 1580 based the eligibility to vote or serve on a particular seat on the position for which the member or participant accrued the most service during the prior year. Imposing such a restriction would ensure that all members and participants have equal access to the election process by permitting members and participants to vote for seats in either the K-12 or community college segment, but not both.

**Staggered public member terms.** SB 1580 provides for three public members appointed by the Governor. The terms of the public members would be staggered by varying their first terms, however, the bill provides no guidance on how their first terms would vary. The most typical pattern would be for one seat to begin with a two-year term; one seat to begin with a three-year term; and one seat to begin with a full four-year term. Normally, this pattern is specified in the legislation. In the absence of such guidance, there are two options for the Board to consider. First, it could sponsor legislation to specify how the terms are staggered. Because the new public member seats are not created until January 1, 2004, such legislation would take effect on time. Alternatively, the Board could propose interpretive regulations to specify the manner in which the terms are staggered. Either option would require close coordination with the Governor's Office.

**Campaign regulation.** Candidates for the elected Board seats will be incurring costs to campaign for these offices. The Political Reform Act regulates the conduct of campaign financing in elective public offices. The Political Reform Act specifically includes the CalPERS Board of Administration in its definition of elective state office. Because the Teachers' Retirement Board is not specifically defined as an elective state office in the Political Reform Act, its provisions would not apply to the conduct of the Teachers' Retirement Board elections.

However, it might be appropriate if its provisions were extended to the Board elections. This would have to be enacted in a statute that is approved by 2/3 of the Legislature and whose provisions are distributed to the public and the news media at least 12 days prior to final enactment.

**Conduct of the election.** The bill does not specify how the election is to be conducted, presumably leaving that to the Board's regulations. If so, these regulations would have to provide for CalSTRS to issue Notice of Elections information to members, announce nomination periods, prepare guidelines on Statements of Qualifications, and review candidate statements to ensure these guidelines are followed

The regulations or the Notice of Elections also would address:

- Whether elected board members would be elected by a plurality of eligible members voting, or a simple majority. If a majority of eligible members voting is required to win an election, provisions for run-off elections would need to be made. Regulations adopted for elections to the Board of Administration of CalPERS require a majority of voting members to win an election.
- Number of signatures needed to qualify as a candidate (CalPERS includes this in the Notice of Elections)
- Maximum length of candidate statements
- Guidelines for acceptable occupational titles, the content of candidate statements and statement addenda
- Establishing a process to address controversies arising out of those statements (CalPERS assigns those issues to third-party binding arbitration.)
- Establishing an election certification and recount process

**Impact on Board continuity.** Under SB 1580, the three newly elected members of the Board would begin their first term on January 1, 2004. Currently, those seats are held by members appointed by the Governor. One of the members is continuing to serve in a term that expired in 1998. The other two members, however, were appointed to four-year terms in February 2001, and would otherwise serve on the Board until February 2005. In addition, it is likely that the current insurance industry representative would have to vacate his seat in January 2004, with that seat being eliminated and replaced by a new public member. Thus, as many as four new members of the Board will be seated on January 1, 2004, in addition to a currently vacant seat for a financial institution official that would have to be vacated if filled before January 1, 2004.

## **Summary**

If approved by the Governor, SB 1580 will have a significant impact on the Board membership during the next 15 months, particularly when combined with the effect of other Board member departures due to their inability to continue to serve in office. One issue the Board will need to decide is whether to sponsor legislation to address the issues raised by the current drafting of the bill, and the extent to which it wishes to address issues in the regulations it adopts. Currently, under the Board's policy, the Board takes no position on legislation affecting the composition of the Board or the process by which individuals are appointed to serve as members of the Board. Many of these issues, however, are more technical aspects to efficiently and equitably administer the changes enacted by the Legislature and the Governor.

## **SUMMARY OF STATE LEGISLATION**

Mr. Derman will provide a verbal update on the legislation signed into law that affects CalSTRS.

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
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AB 131	<p><b>AUTHOR:</b> Assembly Member Corbett</p> <p><b>TITLE:</b> State conformity to EGTRRA rollover and service credit provisions</p> <p><b>LOCATION:</b> Chapter 30, Statutes of 2002</p> <p><b>BOARD POSITION:</b> Support, if amended*</p> <p><b>SUMMARY:</b> Conforms California law to the rollover and service credit purchase provisions of the federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds.</p>
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**COSTS:** Benefit program – None

Administrative – Minor and absorbable

P – None known  
O – None known

AB 979	<p><b>AUTHOR:</b> Assembly Member Cedillo</p> <p><b>TITLE:</b> Paid contribution for military leave</p> <p><b>AMENDED:</b> 8/22/02</p> <p><b>LOCATION:</b> Assembly Floor (Held on floor)</p> <p><b>BOARD POSITION:</b> Support*</p> <p><b>SUMMARY:</b> Exempts Defined Benefit (DB) Program members and Cash Balance (CB) Benefit Program participants called to military service from paying member contributions for up to one year – in effect September 11, 2001 to July 30, 2005.</p>
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**COSTS:** Benefit program – Total costs are approximately \$407,000

Administrative – Minor and absorbable

P – CFT, CSEA, CA State Firefighters' Association, CA/NV Conference of Operating Engineers, SEIU

O – None known

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**2001-2002 Regular Session – September 16, 2002**

<u><b>BILL NO.</b></u>	<u><b>INFORMATION</b></u>
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AB 1122      AUTHOR:      Assembly Member Corbett  
                 TITLE:          Conformity with federal tax changes to pension law  
                 LOCATION: Chapter 35, Statutes of 2002  
                 BOARD POSITION: Support\*

SUMMARY: Among other things, conforms California law to the retirement plan provisions of EGTRRA.

COSTS:          Benefit program – None

Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.

P – Governor Davis

O – None known

AB 1710      AUTHOR:      Assembly Member Negrete McLeod  
                 TITLE:          Part-time community college employee retirement plans  
                 AMENDED: 8/19/02  
                 LOCATION: To Governor  
                 BOARD POSITION: Support\*

SUMMARY: Requires community college districts to offer an alternative retirement plan and Social Security to all their part-time employees. Alternative retirement plans would impose a minimum employer contribution of 4 percent of the employee's salary and a minimum total contribution rate of 8 percent.

COSTS:          Benefit program – No increased costs – potential annual employer savings of \$900,000.

Administrative – Implementation costs of \$50,000

P – FACCC

O – None known



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**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
AB 1743	<p>AUTHOR: Assembly Member John Campbell TITLE: State conformity to EGTRRA AMENDED: 1/29/02 LOCATION: Assembly Revenue and Taxation (Held in committee) BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of EGTRRA.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – None known O – None known</p>
AB 1744	<p>AUTHOR: Assembly Member Corbett TITLE: State conformity to EGTRRA rollover and service credit provisions AMENDED: 1/31/02 LOCATION: Assembly Appropriations (Held in committee) BOARD POSITION: Support, if amended*</p> <p>SUMMARY: Conforms California law to the rollover and service credit purchase provisions of EGTRRA. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Minor and absorbable</p> <p>P – None known O – None known</p>

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**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
AB 1975	<p>AUTHOR: Assembly Member Koretz TITLE: DB Program benefits for employee organization staff AMENDED: 8/29/02 LOCATION: To Governor BOARD POSITION: No position*</p> <p>SUMMARY: Requires community college districts to grant paid leaves of absence, with benefits, to community college employees who serve as staff of an employee organization.</p> <p>COSTS: Benefit program – None  Administrative – None</p> <p>P – CFT, CTA O – None known</p>
AB 1995	<p>AUTHOR: Assembly Member Correa TITLE: Provision of non-audit services AMENDED: 5/20/02 LOCATION: Assembly Floor (Held on floor)</p> <p>SUMMARY: Prohibits a California accountant from certifying corporate financial statements if his or her accounting firm performs non-audit services for their client, other than tax preparation and SEC document review.</p> <p>COSTS: Benefit program – None  Administrative – None</p> <p>P – CALPIRG, Center for Public Interest Law, Congress of CA Seniors, Consumer Attorneys of CA, Consumers Union, Foundation for Taxpayer and Consumer Rights O – CA Chamber of Commerce, CA Society of Certified Public Accountants, Deloitte &amp; Touche LLP, Ernst &amp; Young LLP, KPMG LLP, PriceWaterhouseCoopers LLP</p>

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**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
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AB 2137      AUTHOR:      Assembly Member Lowenthal  
                 TITLE:      Additional credited service for teaching in low performance  
   schools  
                 LOCATION: Assembly PER&SS (Held in committee)

SUMMARY: Provides two additional years of service credit, at employer expense, to specified members with National Board certification who perform three years of credited service after January 1, 2003 in a low performing school.

COSTS:              Benefit program – Increased costs paid by employer

                                 Administrative – Pending

P – None known  
O – None known

AB 2174      AUTHOR:      Assembly Member Lowenthal  
                 TITLE:      Actuarial age factors  
                 LOCATION: Assembly PER&SS (Held in committee)

SUMMARY: Changes age factors for new members to factors that are actuarially adjusted. (Spot bill)

COSTS:              Benefit program – None

                                 Administrative – None

P – CTA  
O – None known

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**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
AB 2451	<p>AUTHOR: Assembly Member Salinas TITLE: Sick leave credit for part-time employees AMENDED: 8/29/02 LOCATION: To Governor BOARD POSITION: Support*</p> <p>SUMMARY: Permits part-time community college employees to have value of unused sick leave at the time of retirement credited, at employer expense, to their existing alternative retirement plan account or CB Benefit Program account.</p> <p>COSTS: Benefit program – Increased cost paid by employer  Administrative – Potential one-time cost of \$150,000.</p> <p>P – FACCC O – None known</p>
AB 2506	<p>AUTHOR: Assembly Member Steinberg TITLE: Tax-deferred investment product certification AMENDED: 8/23/02 LOCATION: To Governor BOARD POSITION: Support *</p> <p>SUMMARY: Establishes a program in CalSTRS to register 403 (b) tax-deferred investment products that may be offered by school districts and county offices of education to their employees, and provide information on 403 (b) investment options on the CalSTRS Web site.</p> <p>COSTS: Benefit program – None  Administrative – Total one-time cost of \$500,000 and annual ongoing costs of \$75,000, reimbursed by vendor fees.</p> <p>P – CTA, UTLA O – None known</p>

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<u><b>BILL NO.</b></u>	<u><b>INFORMATION</b></u>
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AB 2646      AUTHOR:      Assembly Member Liu  
                 TITLE:          Medicare Part B premiums  
                 AMENDED:      5/23/02  
                 LOCATION:      Assembly Floor (Held on floor)

SUMMARY: Requires CalSTRS to pay Medicare Part B premiums for retired members of the DB Program.

COSTS:              Benefit program – Pending

                         Administrative – Pending

P – ACSA, CFT, CTA

O – None known

AB 2767      AUTHOR:      Assembly Member Pavley  
                 TITLE:          Study on GPO and WEP  
                 AMENDED:      5/23/02  
                 LOCATION:      Senate Education (Held in committee)  
                 BOARD POSITION:      Support\*

SUMMARY: Requires the California Department of Education to conduct a study by July 1, 2004 of the impact of the Windfall Elimination Provision and the Government Pension Offset to Social Security on teacher recruitment.

COSTS:              Benefit program – None

                         Administrative – Minor and absorbable

P – Author

O – None known

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<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
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AB 2970      AUTHOR:     Assembly Member Wayne  
                 TITLE:       Auditor “cooling-off” period  
                 LOCATION: Chapter 232, Statutes of 2002  
                 BOARD POSITION: Support\*

SUMMARY: Requires a one-year cooling-off period before an independent auditor may accept a senior-management job with a former audit client.

COSTS:        Benefit program – None

                 Administrative – None

P – CalPERS, CALPIRG, CPIL, Congress for California Seniors, Consumer Attorneys of California, Consumer Federation of California, Consumers Union

O – None known

AB 2982      AUTHOR:     Assembly PER&SS Committee  
                 TITLE:       CalSTRS technical housekeeping  
                 LOCATION: Chapter 375, Statutes of 2002  
                 BOARD POSITION: Sponsor\*

SUMMARY: Makes a variety of technical and conforming changes to the Teachers' Retirement Law to improve system administration.

COSTS:        Benefit program – None

                 Administrative – None

P – CalSTRS

O – None known

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
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**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
ACR 55	<p>AUTHOR: Assembly Member Migden TITLE: Shareholder resolutions on costs of AIDS drug treatments AMENDED: 3/7/02 LOCATION: Assembly PER&amp;SS (Held in committee)</p> <p>SUMMARY: Encourages California's public employee retirement systems to support shareholder resolutions to reduce HIV and AIDS drug costs in less developed countries.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – None</p> <p>P – None known O – None known</p>
SB 461	<p>AUTHOR: Senator Torlakson TITLE: Catastrophic Prescription Drug Insurance Program AMENDED: 1/29/02 LOCATION: Assembly Health (Held in committee) BOARD POSITION: Support, if amended* (prior version)</p> <p>SUMMARY: Requires CalSTRS to create a Catastrophic Prescription Drug Insurance Program to provide high deductible coverage for prescription drugs to retired members of the DB Program with unspecified minimum levels of credited service.</p> <p>COSTS: Benefit program – Present value cost of \$425 million to \$650 million over 10 years, depending on plan features</p> <p>Administrative – At least \$1 million in implementation costs</p> <p>P – ACSA, CFT, CRTA, CTA, FACCC O – None known</p>

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**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
SB 657	<p>AUTHOR: Senator Scott TITLE: State conformity to EGTRRA LOCATION: Chapter 34, Statutes of 2002 BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of EGTRRA.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – CalPERS, Cal-Tax, California Society of Enrolled Agents, Great West Life and Annuity Insurance Company, San Benito County, San Luis Obispo County, Santa Cruz County, Valley Center Municipal Water District</p> <p>O – None known</p>
SB 728	<p>AUTHOR: Senator Machado TITLE: Memorandum of Understanding LOCATION: Chapter 14, Statutes of 2002 BOARD POSITION: No Position*</p> <p>SUMMARY: Ratifies collective bargaining agreements and temporarily reduces member contribution rates to specified state members of CalSTRS and CalPERS.</p> <p>COSTS: Benefit program – Minor and absorbable</p> <p>Administrative – Minor and absorbable</p> <p>P – DPA O – SPB</p>



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<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
SB 1020	<p>AUTHOR: Senator Escutia TITLE: Middle school extended year AMENDED: 6/4/01 LOCATION: Assembly Education (Held in committee) BOARD POSITION: No Position*</p> <p>SUMMARY: Offers state fiscal incentives to schools to increase the school year in Grades seven and eight and either Grade six or nine by 20 days, or other specified days and hours for year round schools.</p> <p>COSTS: Benefit program – Amortized cost of \$1 billion over 30 years from increased final compensation.</p> <p>Administrative – Minor and absorbable</p> <p>P – California League of Middle Schools, California Manufacturers and Technology Association, Long Beach Unified School District O – CTA, UTLA</p>
SB 1256	<p>AUTHOR: Senator Brulte TITLE: State conformity to EGTRRA AMENDED: 4/1/02 LOCATION: Senate Revenue and Taxation (Held in committee) BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of EGTRRA.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – Hesperia Unified School District O – None known</p>

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<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
SB 1315	<p>AUTHOR: Senator Sher TITLE: Centralized purchasing of prescription drugs LOCATION: Chapter 483, Statutes of 2002 BOARD POSITION: Support*</p> <p>SUMMARY: Requires specified agencies to join a statewide pool to purchase prescription drugs at a reduced cost and permits other state agencies, such as CalSTRS, to participate in pool.</p> <p>COSTS: Benefit program – None  Administrative – None</p> <p>P – California Public Interest Research Group O – None known</p>
SB 1318	<p>AUTHOR: Senator Karnette TITLE: Employer payment of member contributions LOCATION: Chapter 115, Statutes of 2002 BOARD POSITION: Support *</p> <p>SUMMARY: Allows an employer to pay all or part of a member's contributions to the DB and Defined Benefit Supplemental (DBS) Programs.</p> <p>COSTS: Benefit program – None  Administrative – Minor and absorbable</p> <p>P – FACCC, UTLA O – None known</p>

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SB 1527      AUTHOR:     Senator Burton  
                 TITLE:        Provision of non-audit services  
                 AMENDED: 4/16/02  
                 LOCATION: Assembly Business and Professions (Held in committee)  
                 BOARD POSITION: Support\*

SUMMARY: Requires a California accountancy firm to certify it will not perform non-audit services for a publicly traded audit client, other than tax preparation and SEC document review.

COSTS:        Benefit program – None

Administrative – None

P – CalPERS, Consumers Union, Consumer Attorneys of California, Consumer Federation of California

O – CA Manufacturers and Technology Association, CA Society of Certified Public Accountants, Deloitte & Touche LLP, Ernst & Young LLP, KPMG LLP, PricewaterhouseCoopers LLP

SB 1580      AUTHOR:     Senator Burton  
                 TITLE:        Teachers' Retirement Board elections  
                 AMENDED: 8/31/02  
                 LOCATION: To Governor  
                 BOARD POSITION: No position\*

SUMMARY: Requires three members of the Board who currently are appointed by the Governor to represent active CalSTRS members to be elected by the membership. It also replaces the current financial institution and insurance representatives with additional Governor public member appointments.

COSTS:        Benefit program – None

Administrative – Average annual costs for one four-year election cycle would be approximately \$240,000.

P – CFT

O – None known

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**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
SB 1746	<p>AUTHOR: Senator Polanco TITLE: Conflicts of interest for Board members LOCATION: Chapter 289, Statutes of 2002 BOARD POSITION: No position*</p> <p>SUMMARY: Expresses legislative intent to permit an elected official of a local agency to be appointed to a California public retirement board, if candidate meets specified requirements.</p> <p>COSTS: Benefit program – None  Administrative – None</p> <p>P – Author O – None known</p>
SB 1983	<p>AUTHOR: Senator Soto TITLE: CalSTRS program changes AMENDED: 8/29/02 LOCATION: To Governor BOARD POSITION: Sponsor*</p> <p>SUMMARY: Modifies Options 6 and 7 to allow a member to name a new option beneficiary upon the death of the beneficiary, changes the basis for calculation of post-retirement earnings limits and authorizes CalSTRS investments in employer surplus and real property.</p> <p>COSTS: Benefit program – None  Administrative – Appropriates \$1.8 million to increase level of service to CalSTRS members</p> <p>P – CalSTRS, ACSA, CTA, CRTA O – None known</p>

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**2001-2002 Regular Session – September 16, 2002**

<u><b>BILL NO.</b></u>	<u><b>INFORMATION</b></u>
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SCA 2      AUTHOR:     Senator Burton  
              TITLE:     Legislative oversight over public pension support budgets  
              LOCATION: Senate PE&R (Held in committee)

SUMMARY: Requires CalSTRS and CalPERS support expenditures be approved in the annual Budget Act beginning in 2003-04, and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.

COSTS:        Benefit program – None  
  
                  Administrative – Minor and absorbable

P – None known  
O – None known

SJR 9        AUTHOR:     Senator Costa  
              TITLE:     Foreign investments  
              LOCATION: Senate B, C & IT (Held in committee)  
              BOARD POSITION: Support, if amended\*

SUMMARY: Requests that Congress identify and prohibit investments in foreign businesses that threaten U.S. national security interests and encourages appropriate federal measures to deny these entities access to capital from the U.S.

COSTS:        Benefit program – None  
  
                  Administrative – No direct fiscal impact

P – CalPERS  
O – None known

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LEGISLATIVE SUMMARY – REGULAR BOARD**  
**2001-2002 Regular Session – September 16, 2002**

<b><u>BILL NO.</u></b>	<b><u>INFORMATION</u></b>
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SR 22

AUTHOR: Senator Dunn

TITLE: Investments in wholesale energy companies

LOCATION: Senate E, U & C (Held in committee)

BOARD POSITION: No position, if amended

SUMMARY: Requests that each state agency, including CalSTRS, determine whether to continue to own stocks and shares, or to invest in any wholesale energy-related business that has refused to comply with a subpoena issued by a specified Senate Select Committee.

COSTS: Benefit program – None

Administrative –None

P – None known

O – None known

## LEGEND OF ABBREVIATIONS

P = PROPONENTS    O = OPPONENTS

### **ABBREVIATION**

### **ORGANIZATION**

AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Federation of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees' Retirement System
CalSTRS	California State Teachers' Retirement System
CALPIRG	California Public Interest Research Group
CASBO	California Association of School Business Officials
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCD	Community College District
CCPOA	California Correctional Peace Officers Association
CDE	California Department of Education
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CPIL	Center for Public Interest Law
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration

## **LEGEND OF ABBREVIATIONS**

P = PROPONENTS    O = OPPONENTS

### **ABBREVIATION**

### **ORGANIZATION**

EGTRRA	Economic Growth and Tax Relief Reconciliation Act of 2001
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board
LACCD	Los Angeles Community College District
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SCSA	State and Consumer Services Agency
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

### **STANDING COMMITTEES OF THE ASSEMBLY/SENATE**

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security Committee
Senate B, C&IT	Senate Banking, Commerce and International Trade Committee
Senate E, U & C	Senate Energy, Utilities and Communication Committee
Senate PE&R	Senate Public Employment and Retirement Committee